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Efficient HR and Recruiting Organization

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RESEARCH IN BRIEF

Human resources (HR) departments serve primarily internal customers; however, their role in meeting organizational goals should not be overlooked. In particular, by responding quickly to employee concerns and recruiting high quality staff, HR departments can improve employee satisfaction and retention, thereby improving patient care quality delivered by the hospital. This report details the efforts of three HR departments to accomplish these goals, including the following:

- ✓ Carefully consider outsourcing as a means to access external knowledge
- ✓ Establish clear lines of communication with hospital departments
- ✓ Maintain dedicated IS staff
- ✓ Maintain dedicated recruiting staff within the HR department

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I. INTRODUCTION

As hospitals seek to excel in increasingly competitive markets, recruiting and retaining highly qualified staff is becoming exceedingly important. Human resources (HR) departments play a crucial role in this process, and, in recognition of this fact, leading HR administrators have transformed their departments from paper-shuffling processing centers into strategic partners capable of supporting organizational goals.

Observation #1—HR service ethic essential to maintaining patient care quality

Most important in this transformation is the establishment of a strong service ethic among HR staff. Because the HR customer is internal, the importance of whether or not these customers are satisfied with HR service is often overlooked. However, employee dissatisfaction leads to attrition, which can adversely affect the quality of care a hospital is able to deliver. HR staff must therefore constantly strive to meet the needs and address the concerns of hospital employees.

Observation #2—Balance between specialist and generalist model ideal

HR staffing models can be roughly grouped in generalist and specialist models. In a generalist model, all HR staff members perform multiple functions—such as benefits administration, recruiting, staff development, and policy oversight—often for a limited clientele, such as a specified set of departments. While a generalist model is often seen as fostering positive employee-HR relationships and open communication, the standardization of services and policies can suffer. In a specialist model, each HR staff member concentrates on performing one function for the hospital as a whole. This eliminates concerns regarding standardization, but can hinder employee communication if employees are not aware whom to approach regarding a specific issue. Successful departments, including those profiled in this report, employ a model that falls somewhere in between. Often, specialists perform recruiting functions, the performance of which varies most from department to department, while other functions remain the responsibility of HR generalists or analysts.

Observation #3—HR information systems (IS) crucial

An HR IS is crucial to effective and efficient HR operation. A properly employed system can lead to multiple benefits, including those listed below.

- ✓ Employee satisfaction can be increased through faster responses to requests and concerns
- ✓ Fewer support staff are needed as data such as applicant or benefits information can be entered directly into the IS, eliminating paper-shuffling
- ✓ Recruiting budgets can be reduced as applicant tracking functions reveal the effectiveness of specific recruiting methods
- ✓ Recruiting yields can be improved as applications receive more timely attention, reducing the loss of potential employees to faster-acting competitors

Observation #4—Outsourcing allows access to external expertise

While one contacted administrator maintained that outsourcing posed a potential threat to both quality control and cost efficiency, other administrators see outsourcing as a means to access external expertise in complicated areas such as benefits administration and recruiting. Thus, by outsourcing these services, HR administrators hope to further increase the service quality they provide.

II. PROFILE: *HR IS facilitates rapid recruitment response*

The president of the hospital's HR department assumed his current position in 1998 and has since significantly reoriented the HR department goals and mission. Previously, HR was seen by other hospital departments largely as an adversary, striving to enforce policies and often failing to hire high quality employees. The president has sought to alter the department to make it a positive presence within the hospital. He has encouraged HR staff to see themselves as members of a service department, providing for the needs of other departments instead of limiting their actions through policy and oversight. Moreover, the president has worked to orient the HR department as a partner in strategically supporting organizational goals.

Institution type:	400-bed, not-for-profit hospital in the Midwest
Source:	President, Human Resources
Total employees:	4,000
HR staff:	22
HR to employee ratio:	1:180
Information system:	Currently switching from PeopleSoft to Lawson

In fulfilling these objectives, the HR department performs a comprehensive set of functions, including those listed below.

- Compensation and benefits administration (some benefits functions are outsourced, as discussed below)
- General employee support
- Leadership development
- Non-physician recruiting
- Policy and procedure oversight
- Staffing compliance and benchmarking

### Recent staffing shift to specialist model facilitates recruiting

Until recently, a large number of HR employees functioned as general consultants, performing numerous tasks including recruiting, policy and procedure oversight, and staffing plan assistance. This arrangement, however, led to poor recruiting performance; the urgent nature of many internal issues, notably policy oversight, often caused generalists to ignore their recruiting duties, leaving applications not reviewed promptly and high quality candidates lost to faster-acting competitors.

To solve this problem, the staff was reorganized to allow four individuals, all physically located within the HR department, to focus solely on recruiting. One of these individuals serves as a point person, coordinating marketing efforts and generating applications, while the other three are interview specialists for various departments. Typically, this staffing level ensures that approximately 50 or 60 job vacancies exist per recruiter, a ratio that the president believes is appropriate based both on literature and his experience. Most importantly, however, by dedicating these four individuals to recruiting, the president has greatly decreased the time it takes for an application to be processed, which is of paramount importance in light of the current health care labor shortage.

In addition to the creation of dedicated recruiting staff, the department's most experienced consultant was appointed as a project manager. In this capacity, the employee oversees several important areas, including benchmarking studies, Joint Commission on Accreditation of Healthcare Organizations (JCAHO) preparedness, and the administration of the scholarship and loan program funds used to support students at local nursing schools.

Meanwhile, the remaining three consultants still function as generalists, working with specific departments as strategic partners and planners, helping managers anticipate their human resource needs and employees voice their concerns. In addition, they perform the downplayed but important task of policy and procedure oversight.

An organizational chart depicting the depatments staffing structure is provided below.

HR department staffing structure
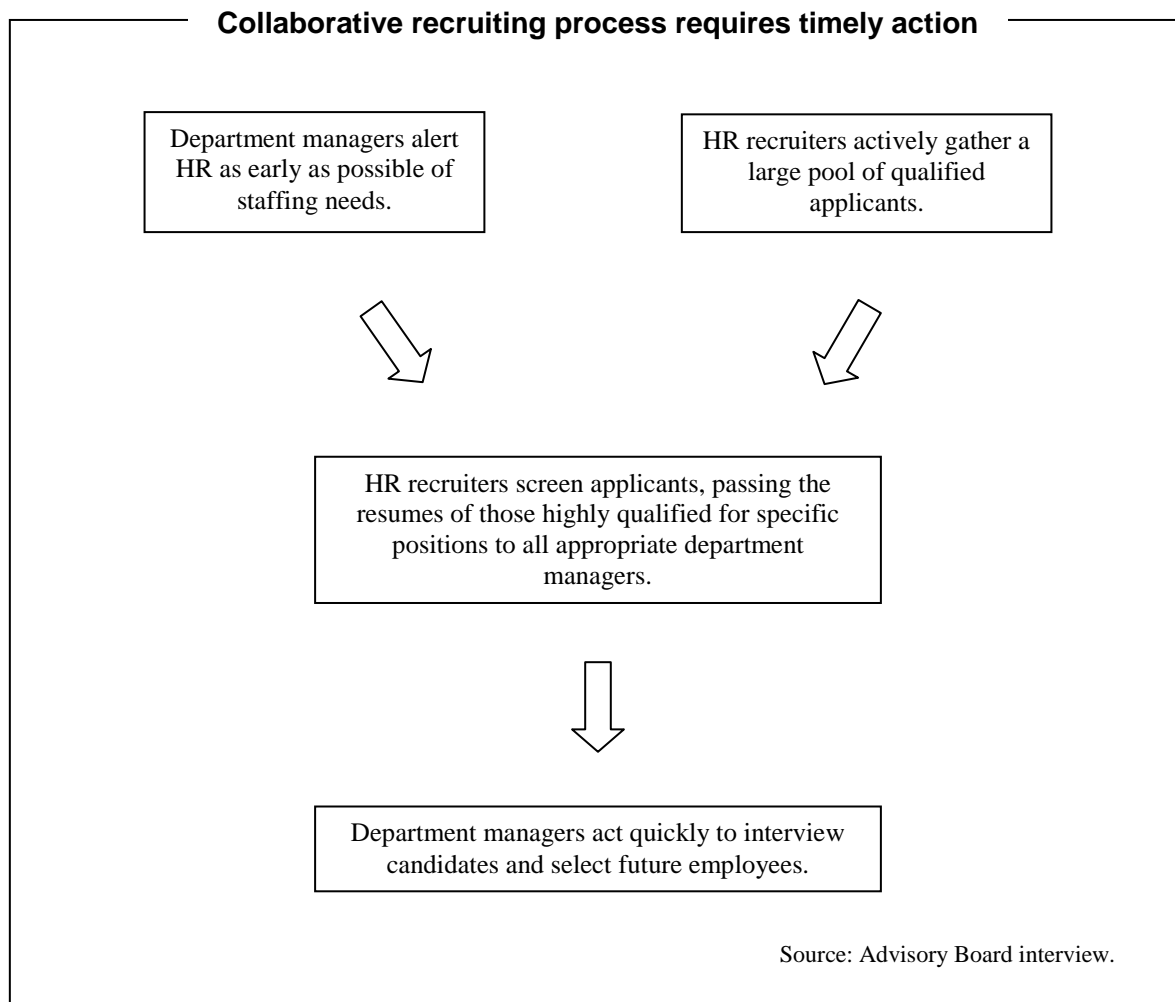

Source: Advisory Board interview.
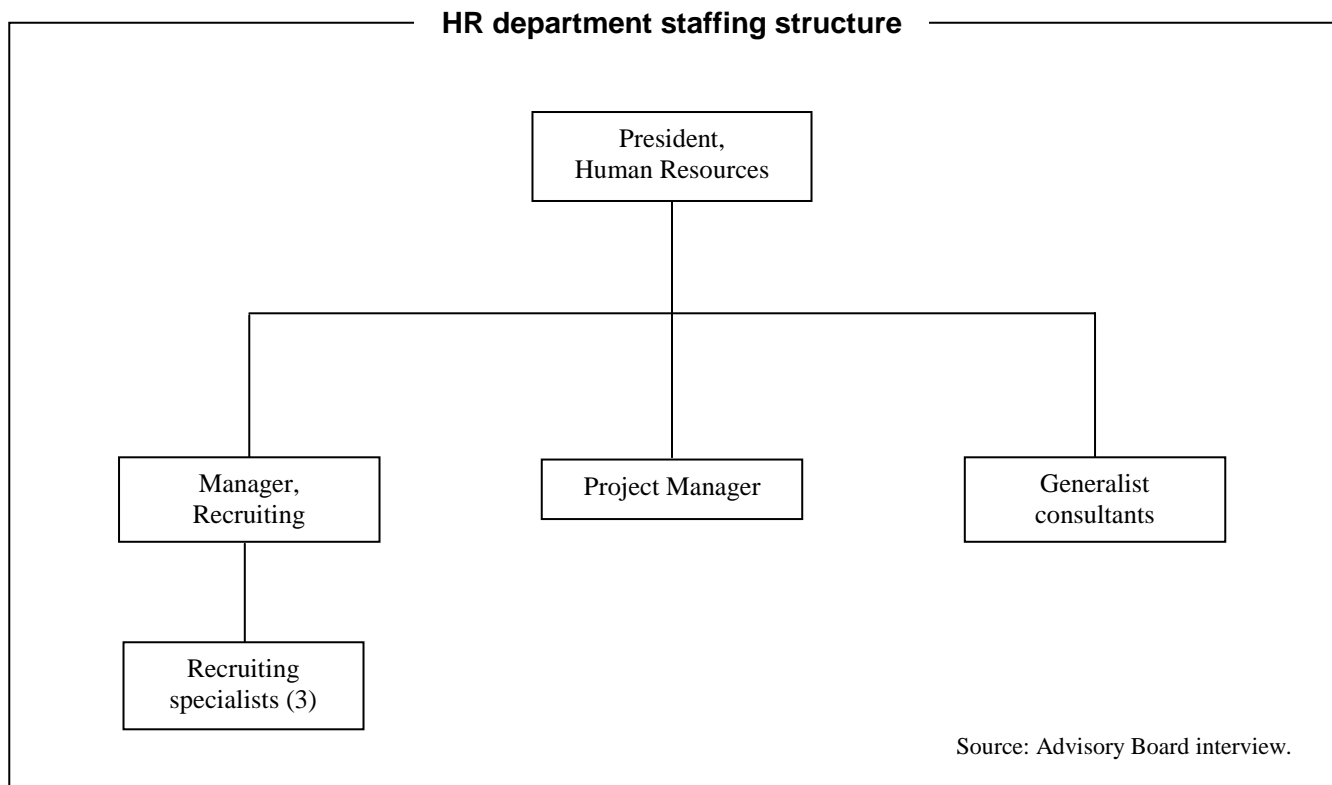
Information systems expected to affect staffing levels

The HR department is currently in the process of switching to an IS provided by Lawson. This system is Internet-based and is therefore expected to allow the HR department to "get out of the paper-pushing business." Typically, many HR functions, such as recruitment, benefits, and compensation, require significant paperwork. With the new IS, however, resumes and employee information can be entered directly into the IS instead of retroactively by support staff performing time-consuming data-entry functions. Therefore, the president expects that in the future he will be able to reallocate some support staff to perform more substantive functions, such as consulting and recruiting.

The president also noted that the Internet-based IS will allow the hospital to more fully realize the benefits of having dedicated recruiting staff.

Collaborative nature of recruiting stressed to department managers

The president noted, however, that staff recruitment is not a task that an HR department can accomplish effectively without assistance from other department managers; rather, the collaborative effort depicted below is required.

Collaborative recruiting process requires timely action

> Department managers alert HR as early as possible of staffing needs.

> HR recruiters actively gather a large pool of qualified applicants.

> HR recruiters screen applicants, passing the resumes of those highly qualified for specific positions to all appropriate department managers.

> Department managers act quickly to interview candidates and select future employees.

Source: Advisory Board interview.

Emphasizing to department managers that they are responsible and accountable to taking timely action in the steps outlined above has helped the HR department more effectively meet managerial recruitment needs and expectations. Previously, it was not uncommon for the applications of qualified candidates to remain unreviewed for long periods of time, with the result being that potential employees would have already taken jobs elsewhere when the hospital finally expressed interest. The department's advanced IS, combined with this process, however, has successfully reduced the hiring timeframe.

Careful budget allocation essential of efficient recruiting

While timely application processing and hiring is essential to ensuring that quality applicants are retained at the hospital, quality applicants must also be actively recruited with aggressive advertising campaigns. While the president was unable to comment directly on the hospital's recruiting budget, he stressed that the importance of active recruiting does not imply that more money must be invested to obtain more applicants. Rather, administrators should analyze the effectiveness of different recruitment techniques to determine which investments produce results. Advertising budgets can then be adjusted to emphasize effective recruitment methods and deemphasize those that are ineffective. For example, because employee referrals are an excellent source of new hires, the HR department has expanded its referral incentive program.

Outsourcing used to obtain external expertise

OUTSOURCED SERVICES		
Service outsource	**Dates**	**Rational**
Pre-employment testing	Past	✓ Increased automation has reduced the staffing requirements of this function, allowing it to be performed internally.
Criminal background checks	Past	✓ The advent of the Internet has made criminal background information more readily available, eliminating the need for outsourcing.
Benefits administration	Current	✓ Access external expertise ✓ Reduce staffing requirement
		Source: Advisory Board interviews.

The president noted that limited HR functions, including pre-employment testing, criminal background checks, and benefits administration, either have been or currently are outsourced. In all cases, the primary motivation was not financial but rather the need to access expertise not available within the department. However, pre-employment testing and criminal background checks are no longer outsourced, as increased automation and information availability has made it easy for the department to perform these functions well with limited staff commitment.

The administration of the cafeteria-style benefits plan, however, is still handled externally, with the HR department maintaining close control over many aspects of the plan, including the options available to employees and communication with employees regarding their benefits packages. The HR department therefore employs four individuals dedicated to managing compensation and benefits. Despite past success with this arrangement, the president noted that the new Lawson HR IS was purchased with a component designed for benefits administration. With this increased capability and the decreased need for administrative staff it creates, he hopes that the outsourcing of benefits administration can be eliminated as well.

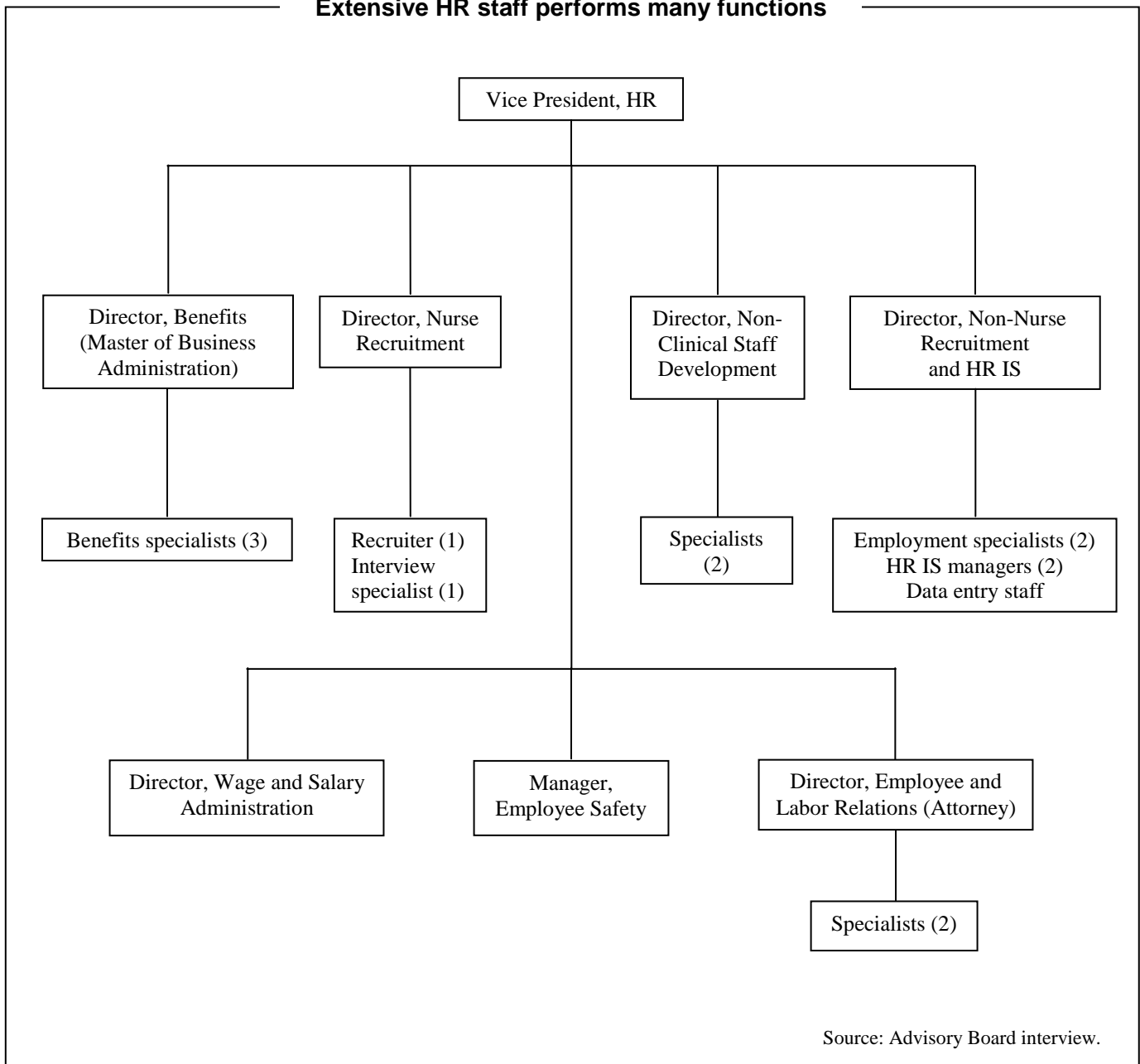## III. PROFILE: *Comprehensive services eliminate need for outsourcing*

The hospital's comprehensive HR department encompasses many areas and functions often handled by other departments, such as employee safety oversight, patient satisfaction tracking, and data management. The structure is made more complicated by the fact that the department's responsibilities in some areas—namely benefits administration and management training—extend to all of the health system's 6,500 employees. The remainder of responsibilites, however, extend to just the hospital's own staff of 3,600 employees. In addition, HR operations are complicated by the presence of two employee unions that require the department to employ a full-time labor relations attorney.

Institution type:	500-bed, not-for-profit hospital in the Midwest
Source:	Vice President, Human Resources
Total employees:	3,600
HR staff:	28
HR to employee ratio:	1:130
Information system:	Currently switching to Lawson

Comprehensive services require large staff

While the precise ratio of employees to HR staff is difficult to calculate, as some staff perform functions for both hospital and system employees, the approximate ratio of 130:1 accurately reflects the comprehensive services provided by the department. An organizational chart depicting the staffing and services provided is located on the following page.

Extensive HR staff performs many functions

Vice President, HR

Director, Benefits (Master of Business Administration)

Director, Nurse Recruitment

Director, Non-Clinical Staff Development

Director, Non-Nurse Recruitment and HR IS

Benefits specialists (3)

Recruiter (1)
Interview specialist (1)

Specialists (2)

Employment specialists (2)
HR IS managers (2)
Data entry staff

Director, Wage and Salary Administration

Manager, Employee Safety

Director, Employee and Labor Relations (Attorney)

Specialists (2)

Source: Advisory Board interview.

In addition, the HR department maintains three support staff members who assist the department with various administrative tasks.

Department structure unchanging

While the organization of the HR department has remained unchanged across the last decade, staff members have been added in recent years as the hospital has expanded, primarily in labor-intensive areas such as benefits administration and recruiting. Moreover, the VP noted that the current HR IS has not affected the department structure, nor is the impending implementation of a Lawson system expected to do so. Rather, the current HR IS was chosen because it suited the needs of the preexisting HR organization. The VP did stress, however, the importance of maintaining a staff dedicated to IS maintenance and oversight, especially during an implementation process.

Outsourcing not considered

Except for the isolated employment of external recruiters—typically used to fill executive level positions—the HR department does not oursource any services. Administrators feel that outsourcing would potentially jeopardize the quaility of services provided by transfering control to an external party not aware of the hospital's strategy and philosophy. In addition, the costs of of an outsourcing arrangement can be considerable, as not only must normal staffing costs be covered, but an administrative fee paid as well. Perhaps most importantly, though, the HR department's large and highly qualified staff eliminate the need to seek external talent and knowledge.

Recruiters centralized and specialized

All recruiting staff are centrally located within the HR department to facilitate quality control and communication among recruiters. However, the recruiting staff specializes in hiring for different positions. As depicted in the previous organizational chart, the staff is primarily split into nurse and non-nurse recruiting functions. Additionally, individual recruiters maintain specific specialties, such as lab technicians or support staff. The VP noted that the different knowledge required to effectively recruit for different positions makes this arrangement ideal. Furthermore, department managers are able to reduce hiring delays by directing communication regarding their hiring needs to the appropriate contact.

Recruiter staffing needs are not determined by tracking any formal metric, such as a ratio of vancancies to recruiters. In fact, the VP noted that such metrics can be misleading, as the resources that must be devoted to recruiting vary greatly both by position and with market conditions. For example, recruiting a nurse requires significantly more resources than recruiting laundry staff. Additionally, since the tragedy of September 11, 2001, the hospital has seen applicant traffic rise 37 percent, which decreases time spent recruiting and increases time spent reviewing applications.

Recruiting budget reduced through Internet advertising

The hospital's recruiting budget is formulated from projections of expected hires and historical experience with search costs, relocation costs, and referral bonus costs. Recently, the hospital has seen its recruiting budget drop significantly due to decreased search costs resulting from cheap but effective Internet advertising. In 2001, the hospital spent a total of $1.1 million on recruiting to fill 750 positions, or $1,466 per hire.

HR effectiveness increased by automation, sevice attitude

The VP stressed that implementing an HR IS to automate formerly paper-intensive, time-consuming HR functions is essential to operating a efficient HR department. For example, many employee handouts and policy manuals are stored and distributed electronically, which both eliminates delays in distribution and allows updates to be made instantaneously. Additionally, benefits enrollment forms have been put online, letting new employees choose and enroll in benefits plans without burdening HR with excessive amounts of paperwork.

While positively affecting efficiency, automation also reduces face-to-face contact. As HR is a service department, this could have serious negative repercussions on employee relations and satisfaction with HR services. Therefore, the VP stressed the importance of simultaneously striving to maintain an excellent level of customer service. To accomplish this, the HR staff aim to respond to employee inquiries quickly and thoroughly and add personalized touches whenever possible. For example, instead of answering benefits questions by telephone or e-mail, benefits staff hold regular "office hours" when employees can come to have coffee and learn about the benefits programs.

IV. PROFILE: *Department-specific HR staff foster communication*

The director of HR stressed that while the department is an internal service department whose direct customers are other hospital employees, the ultimate goal of the department is to facilitate the delivery of quality service to the hospital's final customers, namely patients and their families. Therefore, the director attempts to ensure that HR programs and processes are aligned with the organizational goals of providing excellent care quality and service. Furthermore, she strives to facilitate consistent communication between department managers and HR staff.

Institution type:	400-bed, not-for-profit hospital in the Northwest
Source:	Director, Human Resources
Total employees:	3,000
HR staff:	19
HR to employee ratio:	1:160
Information system:	Lawson

Recently implemented generalist model improves communication

Until the late 1990's, HR staff were divided along functional lines, such that each individual performed a given function, such as benefits administration, for all departments across the hospital. This arrangement led to poor communication between department managers and HR staff, as managers were often unsure of who they should contact regarding a particular issue. Therefore, the HR department staffing model has been altered to assign staff members to specific departments, giving each department two points of contact in the HR department—one general analyst and one recruiter. This fosters close working relationships and strong communication lines, enabling managers to effectively communicate needs and concerns to HR.

This staffing model, however, presents its own set of challenges. First, staff currently maintaining a limited skill set relevant to one HR function, such as benefits administration or policy oversight, must be taught the skills necessary to meet all the needs of their assigned departments. Second, communication among analysts must be encouraged to ensure that policies are standardized and interpreted uniformly.

For these reasons, despite the shift to a generalist model, a functional division is still maintained between HR analysts and dedicated recruiters, as described below.

- *HR analysts*: Analysts are true generalists, performing all functions associated with employee management, including addressing employee concerns, ensuring adherance to policies and procedures, and assisting managers with staff planning needs. Each of the three analysts performs these functions for a specific set of departments.

- *Dedicated recruiters*: A five-person dedicated recruiting staff, physically located within the HR department, is responsible for all recruiting functions, creating a employee to recruiter ratio of 600:1. These individuals function in the following capacities:

  ✓ One staff member functions as an employment manager, overseeing recruitment operations and developing strategies.
  ✓ A second staff member functions as an employment assistant, performing administrative tasks such as background checks and follow-up calls.
  ✓ The remaining three individuals function as recruiters and interviewers, with each specializing in filling the needs of a specific set of departments.

Additional staff positions address specific hospital-wide needs

While the HR analysts and recruiters are able to perform many necessary HR functions, additional positions exist or are being created to further the HR department's ability to ensure that the hospital has a high quality and productive staff. A list of additional existing positions is provided below.

- ➢ *Data entry staff (1)*
- ➢ *Family Medical Leave Act coordinator (1)*
- ➢ *HR administrative assistant (1)*
- ➢ *HR IS coordinator (1)*
- ➢ *Manager, compensation and benefits (1)*
- ➢ *Receptionist (1)*

Furthermore, the director noted that the department is currently seeking to fill the following positions:

- ➢ *Career development coordinator (1)*: Facilitates internal staff development and advancement of talent
- ➢ *Leadership development coordinator (1)*: Works with management staff to develop leadership skills
- ➢ *Outreach coordinator (1)*: Coordinates programs in local primary and secondary schools designed to encourage entry into the healthcare workforce.
- ➢ *Senior HR analyst (1)*: Oversees HR analysts to ensure policy standardization

In addition, employees in the hospital's employee health and education departments, while distinctly separate from HR, report to the director of HR. The employees from these departments, however, are not included in the aforementioned ratio.

Lawson HR IS leveraged through dedicated coordinator

The HR department employs an HR IS supplied by Lawson; however, the software's applicant tracking component has not yet implemented. While the implementation of the HR IS has not led to any alterations in department staffing or strucutre, it was accompanied by the creation of a staff position dedicated to IS operations. This individual has been essential to ensuring that staff use the IS correctly and effectively to better meet the needs of hospital employees. Therefore, the director recommended that either an HR staff member or a staff member from the hospitals IS department be dedicated to overseeing a hospital's HR IS, particularly during any implementation of transition.

Outsourcing used only on a limited basis

The HR department has not traditionally outsouced any functions, preferring instead to maintain control over the services provided to hospital employees. However, department administrators are currently considering outsourcing both recruitment advertising and benefits administration, two areas that are staff intensive and require highly specialized knowledge. While such arrangements will incur significant costs, it is hoped that they will generate a positive long-term return on investment (ROI): improving the benefit services provided to employees and the quality of new recruits will increase employee satisfaction, which will translate into higher retention rates and serve as a strong recruitment marketing tool.

In addition, the HR department has occasionally employed external recruiters to help fill particularly difficult positions. However, the wide audience that can be reached through Internet-based recruiting has largely eliminated the need for external recruiters.